WIN-WASTE THOUGHTS ON FUTURE GRID PATHWAYS STUDY

WIN-Waste supports the results of the Pathways Study and hopes that state legislators, regulators, and others factor the results into future policy decisions that can lead to lower costs and a smoother transition to the low carbon future that is desired.

The most important take away from the study is that the status quo in which states are signing long term contracts for renewable energy generation, primarily off-shore wind, looks to be the most expensive way to reach climate goals. The study calculates a more than quadrupling of the incremental Social Costs over the next two decades if the Status Quo is continued.[1] Therefore, action must be taken to choose a path that will mitigate to some degree the unaffordable cost increases under the Status Quo.

In addition to the cost, a factor that is often overlooked, is that those long-term contracts place the risk that the contracts will not work out as expected back onto the consumers, instead of on the market based developers who are far better able to manage that considerable risk. This can lead to a replay of the billions of dollars of stranded costs[2] that New England electricity consumers paid off in the early part of this century.

While the Net Carbon Pricing regime is the clear economic choice, and the one Win-Waste would favor, we recognize it may not be politically feasible at this time. Therefore, as a reasonable second-best option, we recommend that the Hybrid Approach, which combines positive features of the Net Carbon Pricing regime but avoids some of the perceived negatives by some participants, should be pursued promptly. In addition to obtaining the new renewable generation that is needed, the Hybrid Approach has the added benefit of helping to support the existing renewable and needed low-carbon generation in an environment where energy prices are expected to fall due to the rapid addition of zero energy cost resources.

A final comment is that the implementation of a new regime, such as the Hybrid Approach, must be properly planned. The timing of New England's energy transition is critical. Market designs that seek to starve flexible and reliable, but not necessarily renewable generators of revenue in an effort to hasten their closing will lead to reliability problems as many existing generators are needed prior to and after the arrival of the wave of renewable generators that will provide the bulk of the energy needs in the future.

The premature closing of existing generators before adequate amounts of new renewable generators come into service can cause higher consumer prices due to scarcity and compromise reliability. A much safer approach is to provide the market incentives that lead to the orderly, economic retirement of existing generation only after the new, cleaner resources are in service and ready to maintain system reliability.

[1] Slide 20 of April 26, 2022 Pathways Study deck.
[2] Stranded costs defined as unrecovered invested value minus market value of generating resources.